

VZCZCXYZ0000  
PP RUEHWEB

DE RUEHDG #1812/01 3331406  
ZNY CCCCC ZZH  
P 281406Z NOV 08  
FM AMEMBASSY SANTO DOMINGO  
TO RUEHC/SECSTATE WASHDC PRIORITY 1855  
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY  
RUEHWN/AMEMBASSY BRIDGETOWN PRIORITY 2203  
RUEHCV/AMEMBASSY CARACAS PRIORITY 0949  
RUEHGE/AMEMBASSY GEORGETOWN PRIORITY 1113  
RUEHKG/AMEMBASSY KINGSTON PRIORITY 2902  
RUEHPO/AMEMBASSY PARAMARIBO PRIORITY 1237  
RUEHPU/AMEMBASSY PORT AU PRINCE PRIORITY 4885  
RUEHSP/AMEMBASSY PORT OF SPAIN PRIORITY 1941  
RHEHNSC/NSC WASHDC PRIORITY  
RUEHUB/USINT HAVANA PRIORITY 0214  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RHEFDIA/DIA WASHDC PRIORITY  
RUMISTA/CDR USSOUTHCOM MIAMI FL PRIORITY  
RUEAIIA/CIA WASHINGTON DC PRIORITY

C O N F I D E N T I A L SANTO DOMINGO 001812

SIPDIS

STATE FOR WHA/CAR

E.O. 12958: DECL: 11/27/2018  
TAGS: [PGOV](#) [ECON](#) [EFIN](#) [DR](#)  
SUBJECT: SANTO DOMINGO ECONOMIC-POLITICAL ROUNDUP, NOVEMBER  
28, 2008

REF: A. 07 SANTO DOMINGO 2648  
[1](#)B. SANTO DOMINGO 1640  
[1](#)C. SANTO DOMINGO 1167  
[1](#)D. SANTO DOMINGO 1608

Classified By: P. Robert Fannin, Ambassador, Reasons 1.4(b), (d)

(U) In this edition of the roundup:

- [1](#)1. IMF Visit Raises Concerns about Balance of Payments, 2009 Deficit
- [1](#)2. Government Completes Purchase of Oil Refinery
- [1](#)3. Another Bank Fraud Conviction Upheld by Supreme Court
- [1](#)4. Fernandez Hosts Seminar on Financial Crisis
- [1](#)5. Vargas Maldonado Makes Power Play in PRD Party

[1](#)1. (C) IMF Visit Raises Concerns about Balance of Payments, 2009 Deficit

An International Monetary Fund (IMF) Mission visited the Dominican Republic November 12-19, the first visit since the IMF Stand-By Agreement ended on January 30, 2008. An IMF Post-Program Monitoring (PPM) visit is expected to take place in January 2009 and an Article Four review is scheduled for March 2009. Andy Wolf, mission chief for the Dominican Republic in the IMF's Western Hemisphere Department, briefed the Ambassador on November 19 regarding the visit. Wolf said that there was internal disagreement within the GODR about whether to seek a Follow-On Agreement with the IMF. According to Wolf, the IMF expects a US\$400 million gap in the balance of payments in 2009 which could force the GODR to sign another agreement in order to receive funding support. He said the IMF encouraged the GODR to be realistic in proposing a 2009 budget with no increased spending and a budget deficit based on 1 percent of GDP, which is what the IMF believes the GODR could finance. Wolf acknowledged that the DR will benefit from lower petroleum prices but warned that spending needs to be cut and the electricity subsidy reduced in order to achieve significant reductions. The IMF recommended that the World Bank conduct a review on public spending in 2009. Finally, Wolf noted that the banking sector is strong due in part to regulations established following the 2003 banking crisis.

## 12. (C) Government Completes Purchase of Oil Refinery

After a year of delays and negotiations, the GODR paid US\$110 million to Shell on November 19 for its 50 percent stake in the country's sole oil refinery, Refineria Dominicana de Petroleo, S.A. (Refidomsa). The government is now the full owner of the facility, an objective President Fernandez sought in order to take greater advantage of the benefits of the Petrocaribe program (Ref A). The purchase was made using the government's share of Refidomsa profits and shareholder dividends as well as funds from Petrocaribe financing. Shell's regional chairman Rafael Maradiaga told EconOff that he was relieved the Refinery sale was able to proceed, and that negotiations over Shell's retail business continue. He had earlier expressed fears that the GODR would hold the Refidomsa sale "hostage" in an attempt to simultaneously acquire Shell's retail business, possibly with Venezuelan support (Ref B).

## 13. (U) Another Bank Fraud Conviction Upheld by the Supreme Court

On November 3, the Dominican Supreme Court upheld the convictions in the Bancredito bank fraud case, ensuring that the two defendants will spend time in prison. This is the second time this year that significant sentences were given to upper class, socially prominent members of the banking sector following the sentencing in the Banco Intercontinental (Baninter) case in July (Ref C). In August 2006, Bancredito President and media mogul Manuel Arturo Pellerano Pena and Vice President Juan Felipe Mendoza Gomez were convicted of

fraud which led to the collapse of the bank in 2003 and sentenced to three years in prison. The collapse of Bancredito, along with the bankruptcy of Baninter and Banco Mercantil, caused a severe economic crisis in the country. In September 2008, the Court of Appeals increased the sentence to eight years which the Supreme Court upheld. Pellerano Pena and Mendoza Gomez are expected to start serving their sentences immediately.

## 14. (U) Fernandez Hosts Seminar on Financial Crisis

On November 22-23 in La Romana, President Fernandez hosted a seminar on the international financial crisis. The event, "The Emerging Global Financial Order: A Regional Perspective," was co-organized by the Dominican Government and the UN Economic Commission for Latin America (CEPAL). The seminar was attended by, among others, George Soros, Honduran President Zelaya, Haitian Prime Minister Pierre-Louis, and OAS Secretary-General Insulza. In his remarks, Fernandez acknowledged for the first time that the Dominican Republic may be impacted by the global crisis. He also said, "I believe that only avarice, greed, and the accumulation of wealth could lead the world to this situation. Therefore, a return to ethical values is fundamental." CEPAL Secretary-General Barcena argued that the key issue facing Latin America is how multilateral organizations will help emerging economies solve the problems of liquidity and aggregate demand.

## 15. (SBU) Vargas Maldonado Makes Power Play in PRD Party

Miguel Vargas Maldonado of the Dominican Revolutionary Party (PRD), who lost the 2008 presidential election to the PLD's Leonel Fernandez, has launched a bid for the top leadership position in the party. Should he win the post, Vargas would be well positioned vis-a-vis party rivals, principally former President Hipolito Mejia. It is widely believed that Mejia will seek the presidency in 2012 if a pending constitutional amendment allowing former president to run is approved (Ref D). As for Vargas, he has already publicly announced his candidacy for 2012 -- undeterred by the fact that the last election took place only six months ago. COMMENT: By announcing his candidacy so early, Vargas is contributing to the Dominican problem of nearly constant campaigning, which increases campaign spending and prevents office-holders from focusing on governing.

(U) Please visit us at  
<http://www.state.sgov.gov/p/wha/santodomingo/>  
FANNIN